

BOSTON: THE SHINING CITY ON A HILL

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THE CITY AS A PARTNER IN THE MASSACHUSETTS MIRACLE

As a partner in the Massachusetts economic miracle, Boston has been essential in making the Bay State's economy one of the strongest in the nation.

Although only 10 percent of the Massachusetts population lives in Boston, the city provides over 18 percent of the state's jobs and 21 percent of its goods and services. It also accounts for almost 22 percent of all state tax collections, and generates \$5 billion for the regional economy.

Sound city management has produced fiscal stability. Wall Street financial managers signalled their confidence by upgrading Boston's bond rating three times in the past two and a half years. Between 1984 and 1987, the value of development construction in Boston totalled \$5 billion, including \$2.3 billion in office space, \$920 million in retail, hotel and exhibit space, and \$834 million in housing.

Boston will continue working to maintain its healthy, vibrant economy to the year 2000 and beyond. For 1986 and 1987 the administration set goals to produce 7,400 housing starts. We surpassed these goals, thereby more than tripling Boston's recent average annual housing production. Linkage, which channels benefits from downtown's prosperity to Boston's neighborhoods through the creation of affordable housing and jobs, is a key element of Boston's efforts to achieve these goals. Through good management and innovative programs like linkage, Boston will remain on the cutting edge of efforts to create growth benefitting not only Boston's 600,000 residents, but also all of Massachusetts.



Raymond L. Flynn

Raymond L. Flynn
Mayor of Boston



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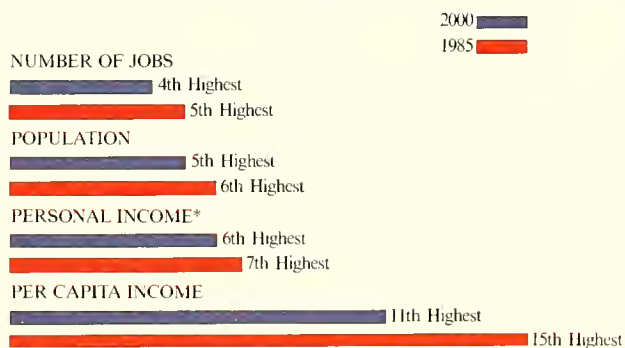


oston, "the Hub of New England," is the nucleus of a dynamic economy, the center of diverse specialized services, ideas, cultures, and commerce.

It is the largest city in the six-state New England region, with one of the largest concentrations of population, employment, and income in the United States. Founded in 1630, Boston is not only a unique American city, but also a cosmopolitan city that has much to offer. As a result, the city is rapidly becoming a first choice for investors.

Yet, Boston is an intimate community with a rich architectural, historical and cultural heritage. Its 600,000 people of many ethnic backgrounds inhabit an area of only 43 square miles. Metropolitan Boston, covering 1,100 square miles, is home to 3 million people.

THE BOSTON METRO REGION COMPARED TO AMERICA'S 330 METRO AREAS (1985 and 2000)



*Equals size of metro economy
Source: U.S. Bureau of Economic Analysis



BOSTON — FINANCIAL CENTER

Boston is a national center for finance with over 1,000 financial institutions located within the city. These organizations provide banking, brokerage, securities, investment, insurance, real estate, and financial consulting services to individuals, businesses, and institutions in the national and international markets.

As the birthplace of the mutual funds industry, Boston firms manage more mutual funds dollars than any other city. Eleven major mutual funds firms manage over \$120 billion of investment. In addition, Boston's financial institutions (banks, savings and loans, and credit unions) hold over \$25 billion in bank deposits.



Boston is often referred to as the home of venture capitalism. Second only to New York as a center of capital allocation in the country, Boston was an early innovator in the field of investment banking. By 1986, according to Venture magazine, Boston firms accounted for 14 of the top 100 venture capital firms nationally, investing \$543 million, or 18 percent of the total dollars committed by these top firms.

MASSACHUSETTS' GROWTH ECONOMY

Massachusetts' growth record is extraordinary and Boston is proud to be playing a key role in its progress. From 1976 to 1986 Massachusetts gained 853,000 jobs, an increase of 31 percent, surpassing the 26 percent national in-

crease. In December 1987, Massachusetts posted an unemployment rate of 2.9 percent, and closed the year with an annual average rate of 3.2 percent, the lowest in the State's history.

The creation of better paying jobs in Boston and elsewhere in the state has increased state revenues through a rise in personal

income. Massachusetts' per capita income has risen from 5 percent above the national average, in 1976, to 21 percent above in 1986. As a result, personal income in Massachusetts has increased from \$40 billion, in 1976, to \$103 billion, in 1986, causing an unprecedented increase in state tax revenue.

BOSTON'S LOCATION AND ACCESS

The strength of Boston and its attraction as a place to live, work, visit, and shop rests in the traditional tenets of successful development – providing a central location and excellent access to major markets.

Boston is located in one of the most densely populated and wealthiest market areas in the world. From Boston it is possible to reach, within a 1,000 mile radius, over one-fourth of the entire U.S. market and two-thirds of the Canadian market. Large metropolitan centers such as New York, Philadelphia, Washington, D.C., Baltimore, Detroit, Cleveland, Cincinnati, Pittsburgh, Montreal, Ottawa, Toronto and Quebec all lie within Boston's market area.

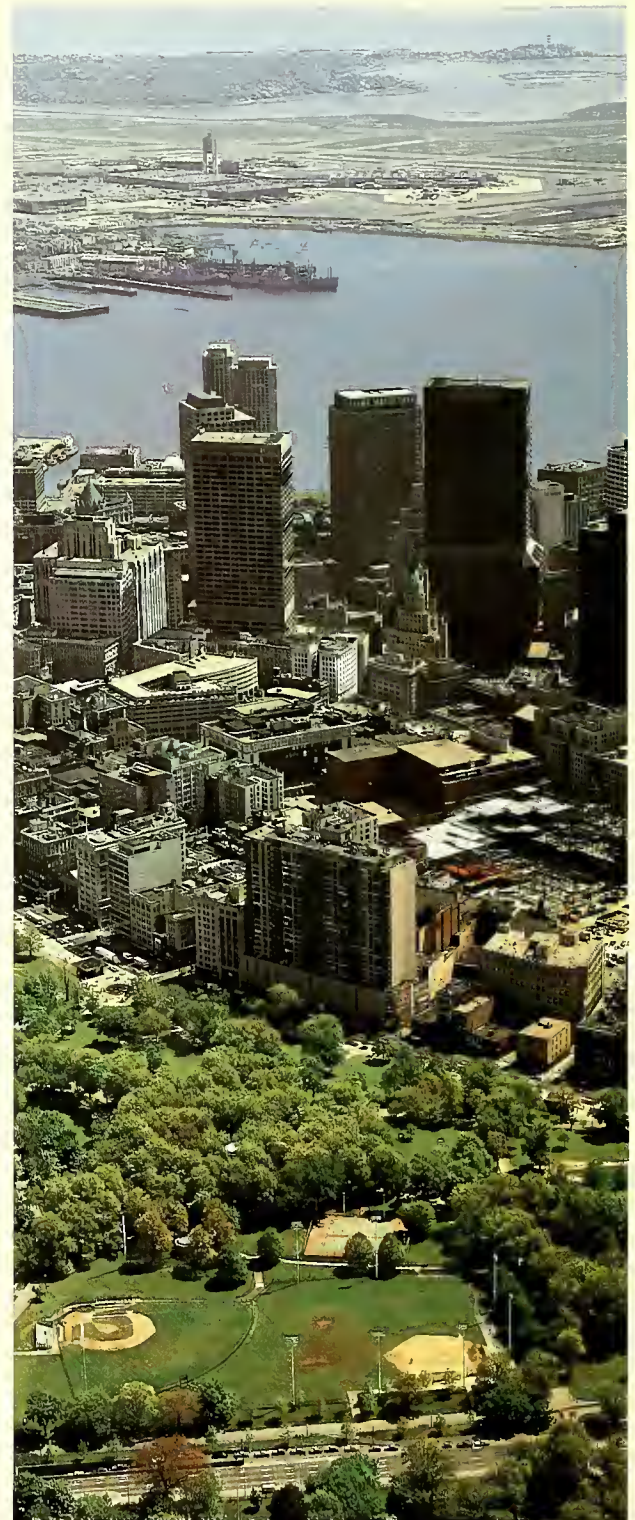


Its extensive and integrated transportation system includes two circumferential roadways – Routes 128 (new Interstate 95) and 495 that encircle the city at distances of 10 and 25 miles respectively. Along both are located many large industrial parks. Route 128 is internationally known for its leadership in the electronics industries. Boston's public transportation system, reaching into its many neighborhoods and adjacent towns, links 3 million people to the central city.

The Port of Boston is one of the oldest and busiest seaports in the world. Its year round large scale facilities, which

include the John F. Moran Terminal at Castle Island, and the MassPort Marine Terminal, ship and receive containerized and non-containerized cargo to and from all over the world.

Boston's Logan International Airport is only ten minutes from downtown by auto or mass transit. Logan, with over 6,000 domestic and 500 international flights each week, is the fourth busiest international airport in the United States and the tenth busiest in the world.





BOSTON'S ROLE IN THE MASSACHUSETTS ECONOMY

Boston plays a key role in the continuing vitality of the Massachusetts economy. With only 10 percent of the state's population, Boston provides 18.5 percent of all jobs and 21 percent of the goods and services produced in Massachusetts — generating nearly \$21 billion for the state's economy.

The city's per capita growth since 1982 has exceeded that of the metro area, state, New England region, and the nation, reflecting the professional occupations and income levels of a growing share of Boston's

According to national forecasters, these trends in Boston are likely to continue to the year 2000 and beyond. The National Planning Association, based in Washington D.C., projects a job growth of 750,000 for the Boston metro area by the year 2000, an increase second only to that of Los Angeles.

Besides generating jobs, income and tax revenue for the state, the city of Boston is a historic, educational, health care and cultural center. Almost 8 million people visit the Boston area annually, generating \$5 billion for the economy of the region.

Boston remains a prime area for investment capital.

BOSTON'S LABOR FORCE

Boston's world renowned higher education institutions and its attractiveness as a place to work and live have resulted in a highly skilled professional and managerial labor pool. The proportion of professional/managerial/technical personnel has risen sharply within the past decade currently constituting at least 30% of Boston's total labor pool. Boston's many vocational schools continue to educate students in a wide range of skills applicable to today's technologies.



labor force.

Boston has gained 108,000 jobs since 1976, 50,000 of them in the last four years. The majority of Boston's jobs are well-paying, with average annual wages, in 1986, 16 percent higher than those elsewhere in Massachusetts. This rise in personal income has caused a significant increase in state tax revenue.

Development construction in the city totalled \$5 billion in the four year period, 1984-1987, including \$2.3 billion in office space, \$920 million in retail, hotel and exhibit space, and \$834 million in housing.

BOSTON — CULTURAL CENTER

The historical and cultural resources of Boston are among the richest in the United States. Boston is home to numerous cultural organizations including the Boston Ballet, the Boston Symphony Orchestra, the Museum of Fine Arts and the Museum of Science. There are over 250 non-profit organizations offering cultural programs within the city of Boston, and great sports teams such as the Celtics, Bruins and Red Sox all call Boston home.

BOSTON — HIGH TECH CENTER

As the center of the fastest growing high tech industry in America, Boston is second only to Los Angeles in the amount of space occupied by high technology firms.

For Boston, the growth of the telecommunications industries is outstanding. Already more than 500 high tech firms are located in and around the city, comprising about 37% of the local economy.

Boston's businesses, financial, educational, and medical institutions assist in the growth of the high technology industry by providing a large, concentrated marketplace for information processing and communication equipment.

BOSTON — MEDICAL EDUCATIONAL CENTER

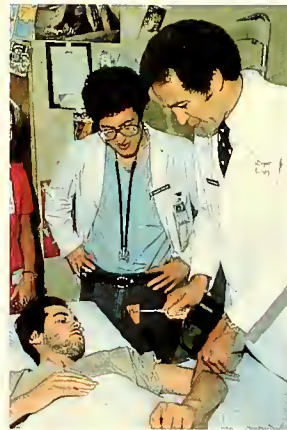
Boston's pre-eminence in medical skills, research and facilities is well known throughout the world.

Among the 130 hospitals located in the Boston metropolitan region are nationally known teaching hospitals including Massachusetts General, Beth Israel, and Children's Hospital, as well as Harvard, Tufts, Boston University and New England Medical Center dental and medical schools.

The oldest and most prestigious collection of colleges, academies, and conservatories are located in Boston.

The region's 65 colleges and universities, such as Harvard, Massachusetts Institute of Technology, Boston University, Boston College, Northeastern, Wellesley, and Tufts and Brandeis Universities maintain high standing in their quality of education and research.

Millions of dollars are spent annually in Boston for applied research and development. Close to 1,000 industrial research labs, employing at least 31,000 scientists, engineers, and technicians undertake research. Research facilities in physical and biological sciences, space technology, nucleonics, electronics, engineering, medicine, and social sciences are located in and around the city.





THE BOSTON OFFICE MARKET

Boston's metropolitan economy in 1987 continued a trend of unprecedented levels of growth in jobs and office development. In the four year period from 1983-1987, the city of Boston alone gained 50,000 jobs. Housing Boston's job growth requires the construction of an appropriate and predictable amount of top quality ("Class A") office space.

A portion of New England's Class A office space is contained in a one-square mile area of Boston known as the Financial District. The Financial District, with 22 million square feet of Class A space, accounts for 76% of the total city-wide Class A market. The Financial District office market contains a broad base of service-oriented firms specializing in law, accounting, engineering, architecture, money management, business information, communications, and banking.

Adjacent to the Financial District are two smaller Class A office market areas, Back Bay and Government Center. Back Bay is home to Boston's insurance industry, containing the headquarters of several of the country's largest insurance firms. Government Center houses the offices of the city, state, and federal governments.

Office construction in the Financial District, Back Bay, and Government Center totalled \$5 billion in the 1983-1987 period, over \$1.2 billion a year. In this period, Boston's total Class A office inventory grew from 21.8 million square feet to 29.2 million

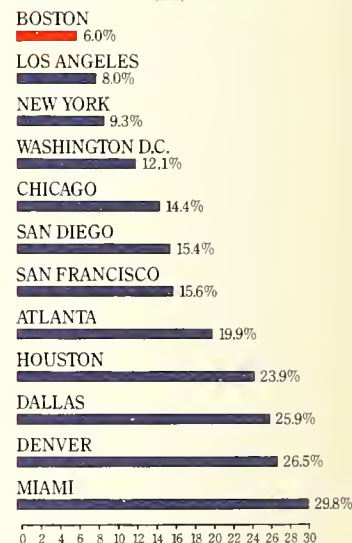
BOSTON'S CLASS A OFFICE MARKETS



square feet. This increase was four times the growth in office construction for the previous four years.

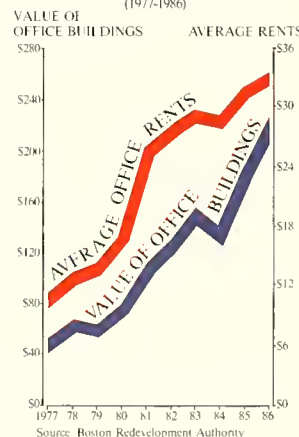
High levels of investment in Boston office space reflect a broadening and upgrading of Boston's entire economic base. For example, the number of hotel rooms in Boston increased by two-thirds since 1980, and Boston's retail space was expanded and upgraded with the addition of 1.1 million square feet of net new space since 1980.

VACANCY RATES IN TWELVE MAJOR DOWNTOWN OFFICE MARKETS (1987)



VACANCY RATE %
Source: The Boston Redevelopment Authority, Fall 1987

BOSTON PROPERTY VALUES AND RENTS PER SQUARE FOOT FOR CLASS A OFFICE BUILDINGS (1977-1986)



Source: Boston Redevelopment Authority

**LINKAGE—
A NEW SOCIAL
CONTRACT**

Linkage is a social contract allowing Boston to build lasting bridges of opportunity between the booming downtown and the people in the neighborhoods who have historically been left behind.

Boston's linkage policies are based on the premise that growth must be managed to provide economic expansion which benefits the community. In 1984, housing and job training linkage policies were implemented to direct the benefits of downtown growth to Boston's residents.

The housing linkage policy requires developers of large commercial projects to build affordable housing or contribute money to build such housing. Housing linkage requires a developer to contribute \$5 for every square foot of floor space built over 100,000 square feet. For a typical 20-story office building, the contribution is worth roughly \$2,000,000.

Jobs linkage requires a developer to contribute \$1 for every square foot of floor space built over 100,000 square feet. For a typical 20-story office building, this contribution is worth roughly \$300,000, of which twenty percent is reserved for residents of the neighborhoods adjacent to the development. The developer may also use its jobs linkage to create and operate its own job training program for Boston residents who would become permanently employed at the project.



Boston's linkage program has already shown exciting results. As of January 1988, 31 projects have committed approximately \$45 million in housing linkage. Eighteen neighborhood housing projects have received a total of approximately \$17 million, with linkage payments being used to create over 2000 units of housing in the neighborhoods, of which eighty-three percent will be affordable. Over the next five years linkage payments are expected to be more than double their present amount.

Linkage is building bridges of opportunity between Boston's downtown and its neighborhoods. The neighborhoods are an integral part of Boston and they are finally reaping the benefits of being part of this "shining city on a hill".





INVESTING IN BOSTON'S NEIGHBORHOODS

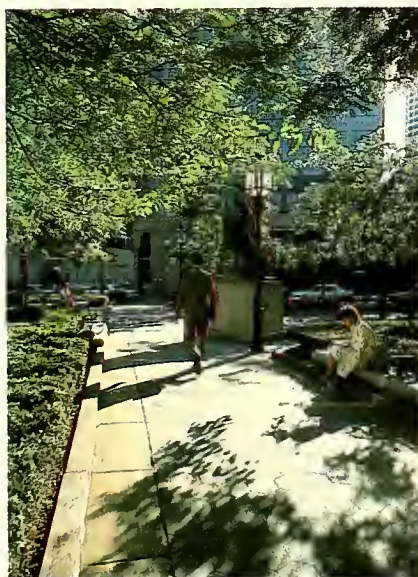
Boston has pioneered another type of linkage called Parcel to Parcel Linkage, a first-in-the-nation partnership for economic justice. It directly links downtown and neighborhood development. Under the program, the city ties the disposition of publicly-owned downtown parcels with publicly owned parcels in neighborhoods. Furthermore, the program requires the economic participation of local community development organizations, minority businesses and developers, and the neighborhood's residents themselves. The strategy is to use the value of city-owned land to produce affordable housing, job training, funds for social services, and economic opportunity for Boston residents.

The first two projects in the Parcel to Parcel Linkage Program are already underway. The first project links Parcel 18 in Boston's Roxbury neighborhood with the Kingston Bedford/Essex site adjacent to the Chinatown neighborhood located in the downtown. The affected communities, Chinatown and Roxbury, are working with representatives of the city, the

state, and a team of community based minority developers to begin construction of the combined \$400 million mixed-use development.

The second project links a mixed-use development at Park Square, in downtown Boston, to the creation of housing in Boston's South End. The South End site will provide transitional housing for homeless mothers and their children. The strength of the proposals for both projects is evidence that in a strong market such as Boston's, linkages of publicly owned sites can generate projects of superior urban design, and also generate substantial community benefits.





THE SHINING CITY ON THE HILL IS OUR HOMETOWN.

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STEPHEN COYLE, DIRECTOR

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